

Initiating the Acquisition

This reading addresses forecasting requirements and conducting market research. These steps are essential prior to initiating a contract.

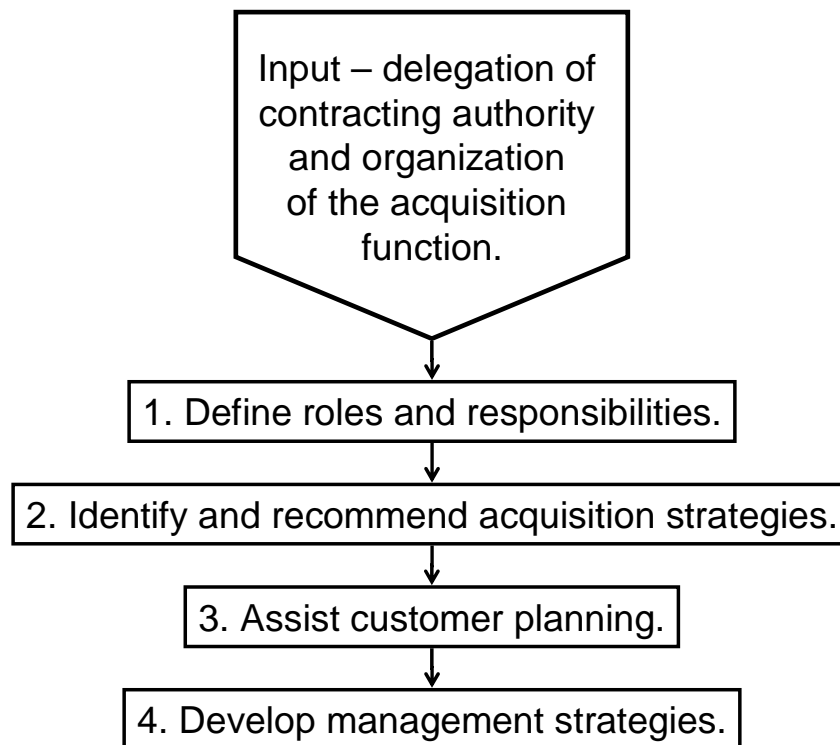
Objectives

1. Distinguish the roles and responsibilities of acquisition personnel in forecasting requirements.
2. Determine an effective acquisition strategy.
3. Determine the extent of, and techniques for, acquiring additional market research needed for an acquisition.

Forecasting

Forecasting can be defined as accurately predicting probable requirements for supplies and services that are likely to be incorporated in purchase requests from requiring activities supported by the contracting office.

The following flowchart depicts the forecasting process.



The following paragraphs describe each step.

Defining Roles and Responsibilities

Acquisition Team - During the pre-solicitation phase of the acquisition, it is important that all “players” understand their roles. As contracting business advisor, your responsibilities are outlined in the regulations and agency procedures. However, as a service organization, part of the role of contracting is customer education. This involves assuring that the requirement managers understand their roles and responsibilities in procuring supplies and services.

Customer Roles - Each team member can provide extremely useful information to the:

- Acquisition planning
- Designation of requiring activity resources to carry out the acquisition plan
- Specification writers, technical evaluation teams, technical representatives, etc.
- Provision of supporting data for recommended justifications
- Preparation of purchase request(s), and
- Incorporation of procurement lead times in program plans and schedules

Discussion questions

1. Who are the players in the forecasting process that may be included on the acquisition team?
2. Why should contracting personnel be involved in forecasting requirements?

Identify and Recommend Acquisition Strategies

Part of the role of the contracting officer, as business advisor, is to recommend acquisition strategies to the customer for large complex requirements. Some recommended strategies for large, complex requirements and a brief description of each are:

Strategy	Description
Early industry involvement (EII)	<p>As early as possible, establish communications with industry to enable a cooperative communication of information regarding the agency’s larger, complex acquisitions. This includes:</p> <ul style="list-style-type: none"> ○ Publication of long-range acquisition estimates ○ Providing broad agency announcements ○ Sponsoring design competitions ○ Soliciting comments from industry regarding IPT
Proposed requirements	<p>Establish an IPT to coordinate the activities of all participants in the acquisition IPTs are composed of representatives from all appropriate functional disciplines</p>

	collaborating to accomplish a successful acquisition program through effective and timely decision-making
Broaden industry participation	<p>Include industry representatives as special members of the IPT to help conduct market research activities leading to:</p> <ul style="list-style-type: none"> ○ defining requirements ○ determining the availability of commercial items ○ maximizing competition, and ○ identifying customary market terms, practices, and procedures
Improve the specification	<p>You may need to apply some of the following techniques for testing and improving the Government's description of required supplies and services.</p> <ul style="list-style-type: none"> ○ Design competition (contract for specification and prototype development) ○ Open communication with industry to assist in specification development ○ Issue Requests for Information (RFIs). ○ Issue pre-solicitation notices. ○ Conduct pre-solicitation conferences
Enhance competition	<p>Identify and recommend a strategy or strategies for enhancing competition or otherwise yielding a better market response based on the known requirement and the current market. Examples include:</p> <ul style="list-style-type: none"> ○ Use of commercial specifications, standards, and products ○ “Breaking out” of components that can be competed (e.g., spare parts) ○ Requesting relief from A-76 restrictive policies (including ceiling restrictions that preclude in-house performance) ○ competition (consider contracting- out as an alternative to in-house performance and vice versa) ○ Source development (e.g., dual source, licensing) when currently locked into a single (in-house or contractor) source ○ Purchasing data rights
Cost as an independent variable (CAIV)	<p>CAIV is an acquisition strategy that focuses on cost-performance trade- offs in setting program goals. Bottom line: once system performance and objective costs are decided through cost- performance trade-offs, cost becomes more of a constraint and less of a variable in meeting the mission need. It does not mean performance, or schedule is traded that cost, equally.</p>

Assist Customer Planning

In addition to assistance in acquisition strategy for large, complex requirements, you may need to provide assistance for program planning and budgeting with your knowledge of the market and contracting processes. The following lists planning and budgeting considerations for requirement managers, and a brief description of each.

Consideration	Description
Commercial items	Procurement of commercial products either as end items or as components will reduce overall costs through buying items that are competitively priced in the commercial marketplace, in lieu of buying the same or similar items made to Government specifications. Further administrative cost savings will be realized through the streamlined and simplified procedures and contracting documents utilized in commercial contracting.
Market surveillance	Ongoing market surveillance by an agency will provide it with valuable information on products and industries, current and emerging systems and technology, and trends and forecasts. Cost projections based upon current realistic acquisition planning, budgeting and price/cost estimating.
Lead times	Information regarding delivery and production lead times should be collected as part of the agency's market research activities. To monitor procurement lead times, agencies should utilize management information systems or other reporting processes that establish milestones for individual procurement events, and report whether they have been met.

“Green” Purchasing - All potential acquisitions must consider green purchasing. “Green” refers to a range of products including recycled content, energy- and water-efficient, environmentally preferable, and bio based, as well as the use of non-ozone depleting substances, alternative fuel vehicles and alternative fuels. The Office of the Federal Environmental Executive website provides information on green purchasing at: <http://www.ofee.gov/gp>

Berry Amendment - The Berry Amendment and other Buy-American provisions must be considered early in the acquisition phase. The Berry Amendment requires the U.S. Defense Department (DOD) to buy certain products - judged essential to our military readiness - with 100% U.S. content and labor. These products include clothing and other textile items, specialty steel, and food.

Identify Trade-offs - The following information describes trade-offs which the contract specialist may use to assist the program manager in identifying:

Trade-off	Description
Quality and Cost	Consider what key discriminators should be used to determine the best value. Consider life-cycle costs in the evaluation. Use quantitative and qualitative techniques to measure price and technical performance trade-offs.
Timeliness and Cost	Consider advantages of just-in-time delivery versus stockpiling inventory.
Risk and Cost	Minimizing the contractor's risks may help reduce the eventual award price. For instance, if the Government is willing to protect a contractor from inflation through an Economic Price Adjustment clause, proposed prices should exclude any contingency for such inflation. Minimizing risks to the Government may result in higher contract prices, but in lower total cost of the acquisition. They may pay a higher contract price for warranties or selecting contractors with lower performance and cost risks, but save in the long run.

CAIV - Cost as an independent variable (CAIV) is an example of how tradeoffs can be used. It is an acquisition strategy focusing on cost-performance trade-offs but does not mean cost, performance or schedule is traded equally. CAIV provisions will be found in sections B, C, H, L and M of the RFP. While CAIV concepts were originally developed from a systems acquisitions perspective, variants of the concept are currently being used in other acquisitions such as service contracts.

Develop Management Strategies

Management strategies - Effective planning for future requirements and organizing resources to acquire them will enable an agency to meet its needs in a most economical and timely manner. Some ways to capitalize on this are listed below:

- Consolidate requirements. (Beware not to violate the anti-bundling regulations)
- Identify economic ordering quantities
- Identify possible Economy Act acquisitions*
- Establish a tentative schedule of purchases
- Obtain bulk funding authority
- Staff and train to meet expected workload
- Obtain other necessary resources

***Possible Economy Act Acquisitions** - The Economy Act provides authority for federal agencies to order goods and services from other federal agencies, and to pay the actual costs of those goods and services. It is allowable if the following conditions exist:

1. Funds are available
2. The head of the agency decides the order is in the best interest of the government.
3. The agency or unit filling the order can provide or get by contract the goods or services;

4. The Head of the Agency decides that the ordered goods or services cannot be provided as conveniently or cheaply by commercial enterprise.
5. A Determination and Finding (D&F) has been written and approved.

Application - The Economy Act does **not** apply to required sources of supplies prescribed in Part 8 of the FAR. It does apply to orders placed between military departments and only in the absence of a more specific interagency acquisition authority. The contracting officer of the requesting agency with the authority to contract, or another official designated by the agency head, must approve the D&F.

Procedures - Ordering procedure requirements are outlined at FAR 17.504. When placing an order, the ordering agency must pay the performing agency actual costs of the goods or services provided. The ordering agency obligates funds current when the performing activity accepts the reimbursable order, and records the obligation upon receipt of written acceptance. If the performing activity has not incurred obligations to fill an order, the ordering activity must de-obligate funds at the end of the period of availability.

Market Research

Policy: The regulations make it mandatory that market research be the first step in any acquisition. It shall be conducted before:

- Developing new requirements documents
- Soliciting any offers over the simplified acquisition threshold (SAT)
- Soliciting offers under the SAT when adequate information is not available and cost is justified, and
- Soliciting offers for acquisitions that could lead to a bundled contract.

The information collected will differ depending upon whether the research is to aid in developing a requirements document, to support solicitation preparation, or both.

Review acquisition histories - A thorough review of acquisition histories on current or prior contracts for the same/similar items may help to determine the type of market information that may be needed for a particular acquisition. In fact, the FAR requires a review of historical data when conducting market research. This should be the starting point for the market research effort.

When to do additional research - Acquisition histories may not give the whole picture needed for planning a particular acquisition. There may be times when this information is not adequate, such as:

- first time purchases
- rapidly changing technology
- change in market capability, and
- no known sources.

Procedure - In determining and identifying the scope and extent of additional research needed, follow these steps:

Step	Action
1	Review information already in hand (including your personal knowledge of the market from prior contract actions, information supplied by the requiring activity, and the findings of recent research on like requirements).
2	Identify information deficiencies
3	Select sources of additional information
4	Plan the collection of additional market information (i.e. when and how) during the acquisition planning, pre-solicitation, solicitation, and evaluation phases.

Guidelines - Consider such factors as urgency, estimated dollar value, complexity, and past experience as a guideline for determining the amount of time and resources to invest in this effort. **Do not** invest more resources (e.g., lead time, available personnel, and money) than are warranted by the potential benefits.

When acquiring items under the simplified acquisition threshold (SAT), conduct market research when adequate information is **not** available and the circumstances justify the cost of such research.

Internet sources - The following list contains on-line resources that may be accessed when conducting market research:

Online Resources For Market Research	Website Address
Commercial Advocates Forum	http://www.acq.osd.mil
Federal Information Exchange	http://www.fie.com
Acquisition Reform Net	http://www.arnet.gov
Thomas Register	http://www.thomasregister.com
Department of Commerce	http://www.commerce.gov
Federal Supply Schedule	http://www.fss.gsa.gov
Small Business Administration	http://www.sbaonline.sba.gov
Consumer Reports	http://www.consumerreports.com
National Contract Management Association	http://www.ncmahq.org
Dow Jones Business Information Services	http://www.dowjones.com
Standard & Poor's Research Reports	http://www.multexnet.com/broker
Manufacturer's Information Network	http://www.mfginfo.com
National Association of Purchasing Managers	http://catalog.com/napmsv/pcat.htm
National Yellow Pages	http://www.yellowpages.com
Federal Business Opportunities	http://www.fedbizopps.gov
Government Contracts Directory	http://www.contractsdirectory.gov

Federal, state, and local resources - Other Government officials are an excellent resource for obtaining information on products, contractors, specifications, and costs, especially for a requirement that has never been procured by one's contracting office.

Other resources include state and local governments that may have experience procuring certain supplies/services that have not been procured by the Federal Government.

Contacting these resources can be handled through a formal market survey. Any information needed to help make the best decisions should be included on the survey. Actual questions will vary with each survey.

Customers - A wealth of information can be obtained from customers of prospective contractors regarding:

- how well a contractor performs
- the reliability and quality of the product or service
- the price they may have paid
- delivery terms and conditions, and warranty provisions

Prospective contractors - Prospective contractors can provide information that cannot be obtained elsewhere. The actual suppliers are the only sources for determining:

- current trends in the market place
- feasibility of requirement in terms of complexity and timeliness
- if the requirement is restrictive in any way
- alternative solutions
- interchangeable parts
- warranty/delivery terms
- amount of interest in the procurement
- pricing patterns
- what commercial distribution systems are available, and
- complaints over previous procurements

You can also conduct market surveys with the industry that supplies the requirement.

Market research techniques - This following illustrates techniques to use in compiling data necessary for making the best decisions when planning the procurement:

Technique	Application	Impact
1. Investigate the market. Determine current status of technology, extent of commercial applications, and source availability.	Buys where rapid technological changes influence the way the requirement is stated.	Market indicators influence the specifications and the contracting approach (e.g., multi-year, options, type of contract). Significant savings by adapting commercial items.
2. Brief Industry. Conduct widely publicized briefings on future requirements to gain interest and to solicit comments on planned approach.	Seek out new companies.	Acquire information that will affect the specification development and contracting approach.
3. Contact potential contractors to discuss requirements and get recommendations.	All buys.	Enhanced requirements definition, solicitation development, and competition.
4. Visit potential sources. Target qualified potential sources who typically do not respond to solicitations.	Where history suggests that responses may be insufficient.	Identify and encourage new and possibly better sources to submit offers.

5. Attend industry and scientific conferences.	Key personnel who need to keep abreast of new developments, industry trends, and make contacts.	Knowledge of current technology and commercial successes and failures as applied to agency requirements
6. Acquire literature about commercial products, industry trends, product availability, reliability, and prices.	All requirements.	More sources to solicit. Affects how requirements are stated, facilitates price analysis, and identifies new products.
8. Evaluate and test commercial items fully, as appropriate.	Whenever seemingly artificial barriers to the use of commercial items exist.	Develop data about the performance of commercial items. Determine necessary adaptations and develop cost estimates.
9. Advertise in trade journal and other publications to solicit inquiries.	Any buy where competition is limited and GPE announcements are not reaching potential sources.	More responses from new, perhaps better, sources.
10. Use the GPE; provide complete data and synopsis far in advance of a solicitation.	All nonexempt procurements over \$25,000.	More inquiries and responses. Sufficient time to receive expressions of interest about a requirement and alert potential contractors to release of a solicitation.
11. Determine why selected contractors do not respond to a solicitation.	All procurements where responses are insufficient or apparently well-qualified sources do not respond.	Identify the impediments to effective competition. Document and publicize "lessons learned."
12. Examine business and trade association directories.	All buys.	Identify additional sources to solicit and acquire basic information about these sources.
13. Use Federal Procurement Data System information.	All buys where an insufficient number of sources are responding (e.g., you can search FPDS for the NAICS codes for your product and obtain a printout of contractors who have previously supplied it)	Identify current Government contractors, what was purchased, and if the purchase was competitive. Also, information about past procurements of the same/similar supplies, products, or services.

14. Examine Federal Supply Schedule.	All requirements that might be satisfied by commercially available products or services.	Identify products or services on schedules at a favorable price and terms.
15. Contact the agency small business advisor to assist in locating qualified small and minority suppliers.	All requirements.	Identify qualified small and minority businesses for inclusion in a sources list.

Market research report - The market research report is the document prepared after all information has been compiled. It provides a summary of the market research team's activities and should provide a logical basis for determining whether or not to acquire a commercial product to satisfy agency needs.

Remember to check your local agency/activity for any additional requirements that may not be listed.

Note: The FAR does not make it mandatory to prepare a market research report; however, it encourages agencies to document the results of market research in a manner appropriate to the size and complexity of the acquisition. Remember, it is easier to compile information into one document that will be included in the contract file.

Summary

As the business advisor from a service organization and a member of the acquisition team, part of the role of contracting is customer education. Forecasting is the first phase of initiating the acquisition. Forecasting consists of anticipating customer needs so that we can plan, organize, staff, and train to effectively meet those needs. Forecasting in conjunction with market research enables the contracting professional to provide sound business advice to customers.